

## QUESTIONS FOR LIQUOR CONTROL COMMISSION APPOINTEE

- DONALD B. WEATHERSPOON -

1. How would you describe the primary function of the Liquor Control Commission (LCC) and what would your guiding philosophy be in carrying out your duties with the Commission? **The role of the Liquor Control Commission is to regulate the control of alcoholic beverage traffic within the State Of Michigan. This includes the ability to provide for licensing, enforcement, and monitoring of revenues collected pursuant to Act 58 of 1998. My guiding philosophy for serving as a Commissioner is to exercise my duties with integrity, balanced judgment, and without bias.**
2. What experience do you have in dealing with liquor control issues? **I served as a Deputy Director for Administration and Regulatory Affairs for the Department of Commerce from 1983 – 1985. All of the regulatory bureaus and commissions were my responsibility at that time. I had significant dealings with the LCC on issues relating to warehousing, enforcement, licensing, legislation, and tax collection.**
3. Do you think Michigan's liquor control system is working well? If not, then what do you believe is wrong and how would you fix it? **It is my opinion that the state system is working well. I also believe that due to the amount of oversight over the operations of the LCC, significant issues that may arise can be addressed in a timely and orderly manner. I am fairly new to the LCC, but as I gain more experience I will make every effort to discuss new proposals and bring forth changes through the appropriate channels.**
4. What is your view of the current tax and fee structure administered by the LCC? Would you make any changes? **Taxes on alcoholic beverages produce approximately \$250 million per year in revenue for the state. The taxes appear to be in line with what the industry and consumers are willing to pay. Michigan ranks 29<sup>th</sup> among the states in revenue collection on alcoholic beverages. I am less certain about any changes to the current licensing fee structure. Taxes and fees are issues to be decided by the legislature. I will support any changes to the current rate of taxation and changes in fee structures if the need to do so is determined by the legislature and are enacted into law.**
5. What is your view of the "three-tier system" (whereby there must be a wholesaler, a distributor, and a retailer, each of whom must act independently and present no conflict of interest)? Do you think this should be changed? If so, how? **In my opinion, the "three-tier-system works well because of the built in requirement for all actors to work independently of one another. This provides for better oversight and accountability in the system and it also allows for big and small businesses to operate on an "equal playing field." I am not an advocate for a change to the current "three-tier-system," but ultimately this is a matter for**

the legislature, not the LCC, to decide.

6. Several states allow direct shipping of wine but Michigan does not. Do you agree or disagree with this? **On the surface it appears that there may be several benefits to direct shipment of wine to consumers, however, there are significant concerns that need to be addressed if this practice were to be established in Michigan. First, how would control and enforcement of existing laws over the product be established in terms of under aged drinking, binge drinking and providing ease of access to other at-risk groups who would use this method for gaining access to alcohol? Secondly, how would tax collection be assured? Having said that, Senate Bill 625 was passed after the decision of the U.S. Supreme Court with regard to the direct shipment of wine in Michigan. The legislation created a Direct Shipper's license that can be obtained by both in-state and out-of-state wineries. Section 203 of the LCC Code was amended to allow for the sale, delivery and importation of wine by any producer that holds a Direct Shipper License. On paper some of my concerns about control have been addressed, however, the risks for under aged drinking still exist in my opinion. I support the legislation as enacted into law that provides for direct shipping. I want to assure the committee that I will work diligently to enforce the law.**
7. Should Michigan have a special winery license that would allow Michigan wineries to conduct tasting and sell more freely at retail-like wine events, farm markets, fairs, etc. as is done in other states? **If additional outlets for wine tasting were to be allowed, I would work to enforce the new law(s) and would work to gain an understanding about how to assure tax collection, not allowing under aged drinking and ensuring that applicable Commission Rules were enforced. In this instance, the will of the legislature would have to prevail.**
8. What is your view of dual appointments for wine wholesalers? [Currently wine is the only alcoholic beverage sold in the private sector that does not have exclusive territories. Thus, a winery can appoint more than one wholesaler for its brands in the same area.] **I believe that the existing system facilitates brand competition. Exclusive territories have proven to work for beer and wine coolers over the years. If the current system were to be changed, all existing dual arrangements would have to be grandfathered in and any new dual appointments would be disallowed. In addition, if the existing system is changed, I would be concerned about the impact of the amount of influence a wholesaler would have over the decision making process for a distributor.**
9. Would you support the sale of alcoholic beverages over the internet? **I do not support the sale of alcoholic beverages over the internet. The term "cyber buzz" comes to mind as a negative indicator of bad things that could happen. Sale of alcoholic beverages over the internet opens the door for abuse, under aged drinking and loss of control and tax revenue.**

10. How would you handle the situation if you were to have a relative, friend or business associate come before the LCC on an issue? **I would disclose my relationship to both parties that wanted to appear before the commission and recuse myself from any decision making. At this time I am unaware of any relationships that would require me to recuse myself from any decisions made by the LCC. Should this change in the future, I will abide by my earlier statement.**
11. Please explain how you would ensure that LCC proposals adhere to applicable statutes. **Based on my ten year work experience of working directly with legislators and legislative bodies, I am well aware of the need to follow the language of the law as passed by the legislature. I will work to assure that if any problem arises that I would keep an open line of communication with the legislative branch so that a small problem does not turn into an unmanageable nightmare.**
12. What is your view of the use of “secondary use” items (promotional items such as Budweiser coasters, illuminated signs, etc.) in licensed establishments? Do you believe the current system of prohibiting these items should be changed? If so, how? **Under the current system the laws and rules are clear thus the current system (no aid and assistance) that is in place is manageable. If exceptions are made, then a gray area emerges and these exceptions become unenforceable. Under the current system everyone understands what is meant by the term “secondary use.”**